TABLED DOCUMENT NO. 63 14 (5) TABLED ON OCT 22 2002

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2001-2002 ANNUAL REPORT

103-04204/

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2001-2002 ANNUAL REPORT

7th Floor, Northwest Tower
701, 5201-50th Ave.
Yellowknife, NT X1A 3S9

Phone: (867) 766-7700
Fax: (867) 766-7701
Email: info@ntdevcorp.internorth.com
URL: www.ntdevcorp.com

CORPORATE INFORMATION

The Northwest Territories Development Corporation (the Corporation) is a Crown Corporation established by the *Northwest Territories Development Corporation Act* (the *Act*) of 1990. It is owned by the Government of the Northwest Territories (GNWT), represented by the Minister of Resources, Wildlife and Economic Development (RWED). A Board of Directors appointed by the Executive Council directs the business of the Corporation

The Corporation was created to assist businesses in overcoming obstacles to development in small northern communities. The Corporation is uniquely positioned to respond to economic development opportunities that require management services as well as equity investment capital

Section 3 of the *Act* defines the objects of the Corporation. They are:

(a) to incorporate, establish and carry on the business of companies or corporations and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to

  (1) create employment and income for residents of the Territories, primarily in small communities,

  (2) stimulate growth of businesses in the Territories, and

  (3) promote economic diversification and stability;

(b) to invest in business enterprises in order to

  (1) stimulate growth of businesses in the Territories, and

  (2) promote economic diversification and stability; and

(c) to promote the economic objectives of the Government of the Northwest Territories

To accomplish its objectives the Corporation provides direct investment and operating subsidies to companies. This is done through various types of economic involvement – Subsidiary Companies, Joint Ventures and Projects and Business Development.

Subsidiary Companies

Subsidiary companies are those which the Corporation has majority ownership (51% common shares or more). Subsidies and capital investments may be provided to these subsidiaries in order to maintain meaningful employment. As of March 31, 2002, the Corporation held majority ownership in the following companies:

913044 N.W.T. Ltd.
(o/a Fort McPherson Tent & Canvas Shop)

Acho Dene Native Crafts Ltd.

Aklavik & Tuktoyaktuk Furs Ltd.

Arctic Canada Trading Company Ltd.

Dene Fur Clouds Ltd.

Great Slave Lake Forest Products Ltd.

Muskox Leather Inc.

Nahanni Butte General Store Ltd.

Rae Lakes General Store Ltd.

Joint Ventures

The Corporation injects capital funding into a business, usually in return for preferred shares. The Corporation's investment is subject to annual dividend payments at a rate determined and agreed to by both parties. As of March 31, 2002, the Corporation held investments in the following companies:

175119 Canada Inc. (Norweta Cruises)

974104 NWT Ltd. (Grey Goose Lodge)

Aboriginal Language Services Corporation

ACODA Gifts Ltd.

ADK Corporate Group

Dunnett Petroleum Ltd.

FC Services Ltd.

Great Circle Entertainment Ltd.

Kunnek Resources Development Corporation

Nats'enelu Ltd.

Nortech Fire & Safety Ltd.

North Nahanni Naturalist Lodge Ltd.

Red Dog Mountain Contracting Ltd.

Tli Cho Co-operative Ltd.

Tri-Vanguard Pictures Ltd.

Two Rivers Development Group Ltd.

Wekweti Development Corporation

Projects and Business Development

The Corporation will occasionally assist businesses, often on a cost-shared basis, to finance projects for feasibility assessments, development of new products and management of pilot projects. During 2001-2002 the NWT Development Corporation provided business development funding to the following:

Acoda Gifts Ltd.

Arctic Canada Trading Co. Ltd.

Willow Flats Tackle Company

Katl'Odeeche First Nation

Denendeh Development Corporation

Enodah Wilderness Travel Ltd.

Creations by Berna

RWED Arts & Crafts Strategy

RWED Project Moosehide

GNWT Dallas & Munich Promotional Efforts

Corporate Office

The Corporation's head office is located on the 7th Floor of the Northwest Tower in Yellowknife, NWT. The President and CEO of the Corporation during this period was Fred E. Koe. The Corporation is governed by a Board of Directors appointed by the Executive Council of the GNWT. The Corporation's Board of Directors, from across the Northwest Territories, for the period covered by this report were:

Chair

Daniel McNeely	Sahtu

Vice Chair

Elizabeth Wyman	Yellowknife

Directors

Joy Stewart	Hay River
Denise Yuhas	South Slave
Ernie Smith	Dogrib
Albert Elias	Inuvialuit
Charles Furlong	Gwich'in
Darrell Beaulieu	Akaitcho

Board of Directors

Daniel McNeely
Chair

Elizabeth Wyman
Vice-Chair

Joy Stewart
Director

Denise Yuhas
Director

Albert Elias
Director

Ernie Smith
Director

Charles Furlong
Director

Darrell Beaulieu
Director

Senior Staff

Fred E. Koe, CMA
President & CEO

Kevin Hoyt, CGA
Vice President &
Comptroller

Leigh Wells
Executive Assistant/
Corporate Secretary

2001 – 2002 COMMITTEES

Audit Committee
Elizabeth Wyman, *Chair*
Ernie Smith
Denise Yuhas
Charles Furlong
Darrell Beaulieu
Daniel McNeely, *Ex-Officio*

Investment Committee
Joy Stewart, *Chair*
Ernie Smith
Elizabeth Wyman
Charles Furlong
Albert Elias
Daniel McNeely, *Ex-Officio*

Personnel Committee
Denise Yuhas, *Chair*
Joy Stewart
Albert Elias
Darrell Beaulieu
Danny McNeely, *Ex-Officio*

2001-2002 Job Statistics

	Direct Jobs		Indirect Jobs (Aggregate Totals)	
	2002	2001	2002	2001
913044 NWT Ltd. (o/a Fort McPherson Tent & Canvas)	15.50	15.50		
Acho Dene Native Crafts Ltd.	4.00	4.25		
Aklavik & Tuktoyaktuk Furs Ltd.	-	-		
Arctic Canada Trading Co. Ltd.	3.00	3.00		
Dene Fur Clouds Ltd.	8.50	-		
Great Slave Lake Forest Products Ltd.	-	-		
Muskox Leather Inc.	-	-		
Nahanni Butte General Store Ltd.	3.00	5.00		
Rae Lakes General Store Ltd.	5.00	5.00		
Sub-Total for Subsidiaries	**39.00**	**30.75**	**11.00**	**8.00**
Headquarters	8.00	8.00	5.00	4.00
Sub- Total	**47.00**	**38.75**	**16.00**	**12.00**
Venture Investments	67.50	56.50	20.00	26.00
Total	**114.50**	**95.25**	**36.00**	**38.00**

Report from the Board of Directors

The Northwest Territories Development Corporation had another successful year. We saw a 13% growth in the number of jobs created and maintained by our subsidiary companies and our venture investments while maintaining the same contribution level from the Government of the Northwest Territories.

The main work of the Corporation is carried out by its three standing committees—the Audit Committee, the Investment Committee and the Personnel Committee.

During this fiscal year, the Corporation, through the Investment Committee received Ministerial approval to establish a new subsidiary company. The Corporation also invested in six northern companies and assisted approximately seven other companies in developing their enterprises. The Corporation contributed $100,000 to a pilot project established to promote the arts and crafts strategy and increase the supply of available moosehide.

The Investment Committee also reviewed the business plans of existing subsidiary companies and monitored the performance of the Corporation's existing portfolio.

During the period represented by this report, the Corporation was successful in reducing annual subsidy per job paid to our operating subsidiaries by approximately 13%.

The Corporation also completed the environmental clean up of the site of Great Slave Lake Forest Products Ltd. in Fort Resolution. This site was cleaned to the standards set by the GNWT's Department of Resources Wildlife and Economic Development.

One of the focuses during the period represented by this report was addressed with further staff training.

The majority of the Corporation's subsidiary companies have utilized employment and training

Report from the Board of Directors (continued)

programs available through the Government of the Northwest Territories as well as Federal Government training initiatives.

Although training and mentorships at the community level continue to be a challenge, human resource investment and development continues to be a priority of the Corporation.

During the period of this report the Board welcomed Darrell Beaulieu as a director and five directors were reappointed for an additional term.

During the next fiscal year, the Corporation looks forward to another successful year and will continue to strive for profitability and growth within its portfolio.

Report from the President and CEO

The Corporation continues to support and promote the priorities and goals of the Government of the Northwest Territories (GNWT) as set out in "Towards a Better Tomorrow". The Corporation's Board of Directors identified the critical issues for the Corporation and in their corporate plan they set out the goals and strategies to address these critical issues.

The Corporation continues to be proactive in promoting its programs and services and continues to nurture and encourage partnerships with other agencies and corporations.

An interactive website was introduced in April 2001. Board members and staff continue to visit, consult and promote their programs with residents in the communities. The Corporation has been active in facilitating the eventual consolidation of the GNWT's business and assistance programs.

The Corporation continues to meet its mandate of creating and maintaining jobs. For this fiscal year, 114.50 direct jobs an 36 indirect jobs were created and maintained by its activities. This total of 150.50 jobs signifies an increase of 17.25 jobs over last fiscal year. The value of these jobs remains set at $25,000 per job. The biggest contributor to maintaining jobs has been the Fort McPherson Tent and Canvas Shop that has maintained 15.50 jobs for the past two years. The subsidiary companies continue to focus efforts on the training and development of their employees.

For this fiscal year, the Corporation's consolidated financial statement show that sales have increased by $428,764 to $2,516,308 and the gross margin has increased by $523,392 to $712,851. Unfortunately there was a corresponding increase in expenses and the net loss for the year was $438,579. This loss was due primarily to the enhancement of the provision for loss on investments by $643,500.

The Corporation continues to focus on consolidating its investments and operations and strengthening its marketing, sales and production

Report from the President and CEO (continued)

capabilities. Many new sales initiatives have been undertaken that significantly enhances the Corporation's activities.

I wish to thank the Minister, the Board of Directors, the Corporate office employees, the Corporation's subsidiary and venture companies employees, and our partners for continuing to support the Corporation in its efforts to invest in the future of northerners.

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2002

Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

August 2, 2002

To the Minister Responsible for the
Northwest Territories Development Corporation

Management is responsible for the preparation and presentation of the consolidated financial statements. The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, and related practices that are appropriate in the circumstances. Where appropriate, the preparation of financial information includes estimates and judgements based on careful consideration of information available to management.

The Corporation maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles and for maintaining standards of conduct that are appropriate to a Territorial Crown corporation.

The Board of Directors, through the Audit Committee which is comprised of Directors who are not employees of the Corporation, is responsible for reviewing and approving the audited annual financial statements and oversees management's responsibilities for financial reporting and internal controls. The Audit Committee meets with management and the external auditor to discuss the financial reporting process as well as accounting and auditing issues. The Auditor General of Canada has full and free access to the Audit Committee.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. She also considers whether transactions which come to her notice in the course of her audit are, in all significant respects, in accordance with the specified legislation.

Fred Koe, CMA
President & Chief Executive Officer

Kevin Hoyt, M.B.A., C.G.A.
Vice President & Comptroller

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2002 — Page

Auditor's Report	4
Consolidated Statement of Operations	5
Consolidated Statement of Deficit and Contributed Equity - Venture Investments	6
Consolidated Balance Sheet	7
Consolidated Statement of Cash Flow	8
Notes to Consolidated Financial Statements	9
Schedule - Consolidated Selling and Administrative Expenses	23

AUDITOR GENERAL OF CANADA VERIFICATEUR GENERAL DU CANADA

AUDITOR'S REPORT

To the Minister of the
Northwest Territories Development Corporation

I have audited the consolidated balance sheet of the Northwest Territories Development Corporation as at March 31, 2002 and the consolidated statements of operations, deficit and contributed equity – venture investments and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and its subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Northwest Territories Development Corporation Act* and regulations, the *Northwest Territories Business Corporations Act* and regulations and the by-laws of the Corporation.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
August 2, 2002

Northwest Territories Development Corporation

Consolidated Statement of Operations

For the year ended March 31,	2002	2001
Revenue		
Sales	$ 2,516,308	$ 2,087,544
Cost of goods sold	1,803,457	1,898,075
Gross margin	**712,851**	**189,469**
Interest	127,580	203,694
Other revenue	164,122	46,811
	1,004,553	**439,974**
Expenses		
Selling and administrative (Schedule)	2,861,738	2,645,454
Amortization of capital assets	167,771	146,222
Provision for (reversal of) loss on investments	643,500	(46,261)
Business development expenditures	179,329	-
Site restoration expenses	69,449	-
	3,921,787	2,743,415
Net loss from operations	**(2,917,234)**	**(2,303,441)**
Other items		
Gain (loss) on disposal of capital assets	856	(1,235)
	856	(1,235)
Net loss before government contributions	**(2,916,378)**	**(2,304,676)**
Government contributions (Note 4)	2,477,481	2,441,736
Net income (loss) before extraordinary item	**(438,897)**	**137,060**
Gain on disposal of assets of discontinued operations	-	140,537
Net income (loss)	**$ (438,897)**	**$ 277,597**

The accompanying notes form an integral part of the financial statements

Northwest Territories Development Corporation

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,	2002	2001
Deficit		
Balance, beginning of year	$ (3,085,294)	$ (3,362,891)
Net income (loss)	(438,897)	277,597
Balance, end of year	**$ (3,524,191)**	**$ (3,085,294)**
Contributed Equity - Venture Investments		
Balance, beginning of year	$ 3,978,540	$ 3,855,004
Contribution from the Government of the Northwest Territories	770,000	30,000
Dividends earned	86,776	93,536
Balance, end of year	**$ 4,835,316**	**$ 3,978,540**

The accompanying notes form an integral part of the financial statements

Northwest Territories Development Corporation

Consolidated Balance Sheet

As at March 31,	2002	2001
Assets		
Current		
Cash (Note 6)	$ 1,114,164	$ 2,111,458
Accounts receivable	336,542	211,885
Dividends receivable	-	436
Inventory	1,392,618	1,176,259
Prepaid expenses and deposits	18,406	6,971
	2,861,730	3,507,009
Reserve funds (Note 6)	502,692	755,847
Venture investments (Note 7)	1,893,050	1,496,551
Capital assets (Note 8)	711,051	751,973
Sinking fund investment (Note 9)	1,026,000	702,000
	$ 6,994,523	**$ 7,213,380**
Liabilities		
Current		
Accounts payable and accrued liabilities	684,451	983,603
Deferred capital contributions (Note 5)	2,663,694	2,677,956
Provision for site restoration	-	323,322
	3,348,145	3,984,881
Long-term debt (Note 9)	1,620,000	1,620,000
	4,968,145	5,604,881
Equity		
Contributed surplus - GNWT	715,253	715,253
Contributed equity - Venture Investments	4,835,316	3,978,540
Deficit	(3,524,191)	(3,085,294)
	2,026,378	1,608,499
	$ 6,994,523	**$ 7,213,380**

Commitments (Note 11)
The accompanying notes form an integral part of the financial statements

Approved by the Board

Elizabeth Wyman
Chairperson of the Board

Darrell Beaulieu
Chairman of the Audit Committee

Northwest Territories Development Corporation

Consolidated Statement of Cash Flow

For the year ended March 31,	2002	2001
Operating activities		
Net income	$ (438,897)	$ 277,597
Items not affecting cash		
Amortization of capital assets	167,771	146,222
Amortization of deferred capital contributions	(149,762)	(146,040)
Gain on disposal of capital assets	(856)	(139,302)
Provision for (reversal of) loss on investments	643,500	(48,261)
Change in non-cash operating working capital (Note 10a)	(974,489)	153,642
Cash flows from (used in) operating activities	**(752,733)**	**243,858**
Financing activities		
Contribution from the Government of the Northwest Territories (Note 10b)	905,500	271,905
Contribution to sinking fund	(324,000)	(324,000)
Cash flows from (used in) financing activities	**581,500**	**(52,095)**
Investing activities		
Investment in venture investments	(1,040,000)	(261,825)
Acquisition of capital assets	(126,848)	(33,692)
Proceeds from disposal of capital assets	856	141,227
Dividends on venture investments	86,776	93,536
Cash flows used in investing activities	**(1,079,216)**	**(60,754)**
Increase (decrease) in cash	(1,250,449)	131,009
Cash, beginning of year	2,867,305	2,736,296
Cash, end of year	**$ 1,616,856**	**$ 2,867,305**
Represented by		
Cash	$ 1,114,164	$ 2,111,458
Reserve funds	502,692	755,847
	$ 1,616,856	**$ 2,867,305**

The accompanying notes form an integral part of the financial statements.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

1. **Authority and operations**

(a) Authority

The Corporation is a Crown corporation of the Government of the Northwest Territories (GNWT) and operates under the authority of the *Northwest Territories Development Corporation Act* which came into effect August 24, 1990. The Corporation and its wholly owned subsidiaries are agents of the GNWT.

(b) Operations

The Corporation invests in business enterprises in accordance with the economic objectives of the Government of the Northwest Territories through equity investments, subsidies, loans and project contributions. These economic objectives are to create employment and income opportunities for residents of the Northwest Territories, primarily in small communities, to stimulate growth of businesses in the Northwest Territories and to promote economic diversification and stability.

(c) Economic Dependency

The Corporation is economically dependent upon the Government of the Northwest Territories for continued funding.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 27 of the *Northwest Territories Development Corporation Act*. Furthermore, the Corporation and its subsidiaries are exempt from federal income taxes, pursuant to Paragraph 149(1)(d) of the *Income Tax Act* (Canada).

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

2. Accounting Principles

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 2002, these subsidiaries were:

Subsidiary	Location	Percentage Ownership	Incorporation Date
Light Manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NWT	100%	September 25, 1991
Aaluvik and Tuktoyaktuk Furs Ltd.	Aklavik, NWT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NWT	100%	December 18, 1997
Muskox Leather Inc.	Yellowknife, NWT	51%	August 25, 1998
Fine Arts and Souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NWT	100%	October 15, 1992
Lumber			
Great Slave Lake Forest Products Ltd.	Fort Resolution, NWT	100%	December 13, 1993
Wholesale/Retail Stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NWT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NWT	51%	October 15, 1992
Rae Lakes General Store Ltd.	Rae Lakes, NWT	100%	October 14, 1992

Great Slave Lake Forest Products Ltd. ceased operations during the 1999-2000 fiscal year. The company's tangible capital assets have been divested and site remediation is complete.

Dene Fur Clouds Ltd. became a wholly owned and operated subsidiary of the Corporation during the 2001-2002 fiscal year (Note 13).

The Corporation controls all of its subsidiaries but does not hold a 100% interest in all of them. The non-controlling interest in the subsidiaries has been reduced by the losses applicable to the non-controlling interest. The excess and any further losses applicable to the non-controlling interest are allocated only to the parent's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the parent's previously absorbed losses are recovered.

These consolidated statements include the assets and liabilities of the above named subsidiaries as at March 31, 2002 and the results of their operations for the year then ended.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

2. **Accounting Principles (continued)**

(b) Financial Instruments

The Corporation's financial instruments, as referenced in the financial statements, consist of cash, reserve funds, investments, accounts receivable, accounts payable and accrued liabilities, long term debt and bank indebtedness. These financial instruments may be exposed to significant interest rate and credit risks. The financial statements and accompanying notes contain, according to management's best efforts, the relevant information necessary for a reasonable assessment of these risks. The fair value of these financial instruments, where determinable, approximate their carrying amounts unless otherwise noted.

(c) Cash and Reserve Funds

The Corporation's cash and reserve funds are pooled with the GNWT's surplus cash and is invested in a diversified portfolio of high grade, short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-2 or better by the Dominion Bond Rating Service. The Corporation's average annual investment yield to March 31, 2002 was 3.26% (March 31, 2001: 5.30%).

(d) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

(e) Venture Investments

Loans receivable which relate to capital items are carried at the amount of the funds advanced less accumulated provision for loss. When conditions of the loan agreement are not met, the entire principal balance and accrued interest shall become due and payable to the Corporation, at its option.

Investments in ventures are carried at cost, or at cost less an allowance for loss on realization where there has been a decline in value.

Provision for loss on investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty. Provision for loss on investments include loan forgiveness and a provision for loss on realization of venture investments. The value of the venture investments, after provision for loss, represents their fair value.

Dividends received from venture investments are deposited to the Venture Investment Fund pursuant to Section 17(6) of the *Northwest Territories Development Corporation Act* and are to be used for additional investments in venture activities.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 20002

2. **Accounting Principles (continued)**

(f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is recorded by the straight-line method at rates set out below:

Buildings	20 years
Equipment	4 years
Office furniture and equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years
Vessel	4 years

Prior to April 1, 2000 capital assets were amortized over 5 years or the number of years in which the Corporation had received guaranteed funding from the Government of the Northwest Territories. Buildings acquired subsequent to March 31, 2000 are amortized on a straight-line basis over 20 years while any equipment and software acquired are amortized on a straight-line basis over 4 years.

(g) Employee Benefit Liabilities

The Corporation grants annual leave to employees based upon their respective terms of employment. Any annual leave not used during the year is accrued as an expense at year-end using each employee's current salary level.

The Corporation does not maintain a pension plan for its employees but does make matching contributions to a registered retirement savings plan administered by an agent of the employee's choice. These contributions represent the total liability of the Corporation and are recognized on a current basis.

The Corporation also provides a life insurance and healthcare benefit plan through the NWT Chamber of Commerce Group Insurance Plan. The Corporation is not responsible for any future liabilities of this plan and premiums paid to that plan are recognized on a current basis.

(h) Revenue

Revenues earned from operations are recorded as services are rendered. Revenue is recognized on an accrual basis.

(i) Business Development Expenses

Business Development expenses include spending on feasibility studies, business plans, investigations, due diligence assessments and appraisals which have been approved by the Board of Directors or the President. It is the Corporation's policy to charge these expenses to current year operations.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

2. Accounting Principles (continued)

(j) Contributions from the Government of the Northwest Territories

The Corporation receives a contribution from the Government of the Northwest Territories as set out below. This contribution is used for the purposes set out in the contribution agreement and is not repayable.

The contribution is allocated at the discretion of the Board of Directors as approved by the Financial Management Board for the purposes of acquiring capital and venture investments, providing operating subsidies to subsidiaries, financing head office operations, providing project contributions, paying business development expenses and purchasing capital assets for the Corporation.

The amount of the contribution approved by the Board for investment in majority-owned subsidiaries and for the acquisition of capital assets for the Corporation and for working capital advances to the subsidiaries is recorded as Deferred capital contribution, and is amortized into income on the same basis as the amortization of the related capital assets and investments.

The amount of the contribution approved by the Board for investment in loans receivable, preferred shares or non-controlling interests in common shares is recorded as Contributed Equity - Venture Investments and is recognized in the year for which the funds are advanced.

The amount of the contribution approved by the Board for providing operating subsidies to the subsidiaries is recognized in the year that the subsidy is paid to the subsidiary. A subsidy contribution which has not been expended at year end lapses.

The amount of the contribution approved by the Board for providing project contributions is recognized in the year that the project contribution is paid.

The amount of the contribution approved by the Board for financing head office operations and business development expenses is recognized in the year for which it is approved by the Legislative Assembly of the Government of the Northwest Territories.

(k) Federal and Territorial Funding

The subsidiaries apply directly to specific programs and the funding is recognized as income in their financial statements and the consolidated financial statements.

(l) Measurement Uncertainty

The preparation of the financial statements, in accordance with Canadian generally accepted accounting principles, requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to the valuation of venture investments, inventories and the provision made for site restoration.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

3a. Job Creation Or Maintenance

The *Northwest Territories Development Corporation Act* provides the Corporation with the mandate to create or maintain jobs within the Northwest Territories. To this end, the Government of the Northwest Territories provides a contribution to the Corporation.

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2001-2002 fiscal year. These job creation or maintenance figures are presented consistent with the policy on Job Creation and Measuring the Results.

Indirect jobs have been calculated using the Northwest Territories Bureau of Statistics Input-Output Model and have been calculated on an aggregate basis for subsidiary operations. In order to not compromise venture operations, direct and indirect venture job creation and maintenance numbers have been aggregated.

	Direct Jobs		Indirect Jobs (Aggregate Totals)	
	2002	2001	**2002**	2001
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	15.50	15.50		
Acho Dene Native Crafts Ltd.	4.00	4.25		
Aklavik & Tuktoyaktuk Furs Ltd.	-	-		
Arctic Canada Trading Co. Ltd.	3.00	3.00		
Dene Fur Clouds Ltd.	8.50	-		
Great Slave Lake Forest Products Ltd.	-	-		
Muskox Leather Inc.	-	-		
Nahanni Butte General Store Ltd.	3.00	3.00		
Rae Lakes General Store Ltd.	5.00	5.00		
	39.00	30.75	11.00	8.00
NWT Development Corporation Head Office	8.00	8.00	5.00	4.00
	47.00	38.75	16.00	12.00
Venture Investments	67.50	56.50	20.00	26.00
	114.50	95.25	36.00	38.00

In fiscal 2001-2002, the Corporation and its subsidiaries created or maintained 47.00 direct jobs and 16 indirect jobs. Venture investments made by the Corporation helped create or maintain a further 67.50 direct jobs and 20 indirect jobs. The total number of direct and indirect jobs created or maintained that can be associated to the Corporation's activities number 150.50.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

3b. Compliance With Investment And Subsidy Limits

Under subsection 16(4) of the *Northwest Territories Development Corporation Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Subsidy Fund to a subsidiary or for the benefit of a project, a subsidy for operating costs each fiscal year in an amount not exceeding the prescribed maximum for the project or subsidiary. Under subsection 16(3) of the *Northwest Territories Development Corporation Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Capital Fund to a subsidiary or for the benefit of a project, as initial investment, an amount not exceeding the prescribed maximum of $100,000 per job created.

The *Northwest Territories Development Corporation Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the Financial Management Board. The Financial Management Board has approved the subsidy expense for the 2001-2002 fiscal year through a Financial Management Board Record of Decision.

The following subsidies were provided during the reporting period along with the resultant number of direct jobs created or maintained for the respective subsidiary. Arctic Canada Trading Co. Ltd., with the approval of the Financial Management Board, received a subsidy in excess of the $25,000 per job amount stated in the *Northwest Territories Development Corporation Regulations*. The subsidy provided to Great Slave Lake Forest Products Ltd. was in accordance with the direction of the Financial Management Board and was used to finance site restoration undertaken.

	Subsidy		Direct Jobs Created or Maintained	
	2002	2001	**2002**	2001
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	$ 130,000	180,000	15.50	15.50
Acho Dene Native Crafts Ltd.	100,000	100,000	4.00	4.25
Aklavik & Tuktoyaktuk Furs Ltd.	-	-	-	-
Arctic Canada Trading Co. Ltd.	300,000	350,000	3.00	3.00
Dene Fur Clouds Ltd.	200,000	-	8.50	-
Great Slave Lake Forest Products Ltd.	325,000	-	-	-
Muskox Leather Inc.	-	-	-	-
Nahanni Butte General Store Ltd.	75,000	100,000	3.00	3.00
Rae Lakes General Store Ltd.	-	-	5.00	5.00
	$ 1,130,000	730,000	39.00	30.75

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

4. Government Contributions

	2002	2001
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	$ 1,130,000	$ 730,000
Contribution to head office	742,808	1,565,696
Amortization of deferred capital contributions - GNWT	149,762	146,040
	2,022,570	2,441,736
Federal and Territorial subsidies to subsidiaries	454,911	-
	$ 2,477,481	**$ 2,441,736**

5. Deferred Capital Contributions

	2002	2001
Opening balance	$ 2,677,956	$ 2,582,091
Funding received in the year	135,500	241,905
Amortization recognized	(149,762)	(146,040)
Ending balance	**$ 2,663,694**	**$ 2,677,956**

6a. Funds

The consolidated cash balance available to the Corporation and its subsidiaries at March 31, 2002 totalled $1,616,856. This balance consisted of $502,692 in reserve funds and $1,114,164 in consolidated cash balances. The unconsolidated bank balance of the Northwest Territories Development Corporation as at March 31, 2002 was $1,321,195. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	$ 127,219
Capital Reserve Fund	349,381
Funds available for venture investments	358,934
Venture Reserve Fund	153,311
Funds available for operations	21,830
Funds available for subsidies	310,520
	1,321,195
Subsidiary cash balances	295,661
Consolidated cash balance including reserves	**$ 1,616,856**

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

6b. Reserve Funds

Pursuant to Sections 16 and 17 of the *Northwest Territories Development Corporation Act*, the Corporation is required to administer a Capital Reserve Fund and a Venture Reserve Fund. The Corporation is required to allocate to these funds an amount equal to 10% of the sums paid from the Capital Fund and the Venture Fund. The legislation indicates that allocations are required to these two reserve funds up to a prescribed maximum. The prescribed maximum is $1 million for both reserve funds.

The Corporation is required to pay amounts in the Capital Reserve Fund that exceed the prescribed maximum of $1 million to the Consolidated Revenue Fund of the Government of the Northwest Territories. The Corporation is required to contribute to the Venture Reserve Fund until it reaches the prescribed maximum of $1 million. Further contributions are not required when the maximum is maintained.

		2002		2001
Capital Reserve Fund				
Opening reserve	$	332,536	$	301,036
Current year reserve deposit		28,500		31,500
Draws		(11,655)		-
Ending reserve		**349,381**		**332,536**
Venture Reserve Fund				
Opening reserve		423,311		403,311
Current year reserve deposit		70,000		20,000
Draws		(340,000)		-
Ending reserve		**153,311**		**423,311**
	$	**502,692**	**$**	**755,847**

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

7. Venture investments

		2002	2001
Loans receivable			
Red Dog Mountain Contracting Ltd.		$ 250,000	-
Tli-Cho Co-operative Ltd.		212,350	212,350
Wekweti Development Corporation		220,000	220,000
Nats'enelu Ltd.		100,000	10,000
		782,350	442,350
Less: Provision for loss		(260,000)	(120,000)
		522,350	322,350
Investments in shares			
Red Dog Mountain Contracting Limited	preferred	1,425,600	1,425,600
Tri-Vanguard Pictures Ltd.	preferred	400,000	-
ADK Corporate Group	preferred	300,000	300,000
175119 Canada Inc. (Norweta Cruises)	preferred	273,311	273,311
Nats'enelu Ltd.	preferred	150,000	150,000
Nortech Fire & Safety Ltd.	preferred	200,000	200,000
Two River Development Group Ltd.	preferred	160,000	160,000
Kunnek Resource Development Corp.	preferred	150,000	-
Dunnett Petroleum Ltd.	preferred	135,000	-
Great Circle Entertainment Ltd.	preferred	81,739	81,739
974104 N.W.T. Ltd. (Deline)	preferred	100,000	100,000
North Nahanni Naturalist Lodge Ltd.	preferred	100,000	100,000
Aboriginal Language Services Corporation	preferred	42,000	42,000
F.C. Services Ltd.	preferred	30,000	30,000
Acoda Gifts Ltd.	common	15,000	-
Tli-Cho Co-operative Ltd.	preferred	100	100
Dene Fur Clouds Ltd.	preferred	-	1
		3,562,750	2,862,751
Less: Provision for loss		(2,192,050)	(1,688,550)
Net Investment in Venture Investments		**$ 1,893,050**	**$ 1,496,551**

Impaired loans in 2002 total $532,350 (2001: $230,000); the associated provision for loss is $260,000 (2001: $120,000).

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances. Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments. The Corporation does not exercise significant influence on its venture investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received; venture investments earned $86,766 in 2002 ($93,536 in 2001).

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

8. **Capital Assets**

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	$ 3,197	$ -	$ 3,197	$ 3,197
Buildings	4,338,509	3,801,808	536,701	589,808
Equipment	606,818	580,596	26,222	81,123
Leasehold improvements	239,227	239,227	-	-
Office and equipment	416,482	399,578	16,904	19,351
Computer equipment	138,560	116,477	22,083	53,072
Vehicles	91,020	78,047	12,973	5,422
Construction in progress	92,971	-	92,971	-
	$ 5,926,784	$ 5,215,733	**$ 711,051**	**$ 751,973**

The majority of the capital asset balance has been amortized due to accounting treatment that tied the amortization to the subsidy reporting period. That reporting period varied in length from one to five years.

9. **Long-term Debt**

	2002	2001
Aurora Fund loan repayable at end of term. Simple interest of 7.00% ($9,450) is payable monthly. Repayment in full is due January 2004.	**$ 1,620,000**	$ 1,620,000

In relation to the Aurora Fund loan, the Corporation is required to make monthly payments into a sinking fund held by a trustee, the Pacific & Western Group of Companies, for the redemption of long-term debt. The required monthly payment is $27,000 less interest of 6.00% earned on the outstanding monthly balance. At the end of the five year term, the sinking fund will be used to repay the full amount of the loan.

	2002	2001
Sinking Fund Balance	**$ 1,026,000**	**$ 702,000**

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

10. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

	2002	2001
Accounts receivable	$ (124,657)	$ 195,851
Dividends receivable	436	9,470
Inventory	(216,359)	114,671
Deposits and prepaid expenses	(11,435)	4,011
Accounts payable and accrued liabilities	(299,152)	(99,957)
Provision for site restoration	(323,322)	(70,404)
	$ (974,489)	**$ 153,642**

(b) Contribution From GNWT

Capital funds	$ 135,500	$ 241,905
Venture funds	770,000	30,000
	$ 905,500	**$ 271,905**

11. Commitments

Lease Obligations

The Corporation is committed to operating leases for rental of office space and equipment at the future minimum payments as set out below:

	2002	2001
2002	-	145,739
2003	159,937	133,226
2004	156,714	127,726
2005	60,902	127,726
2006	44,139	33,600
2007 and thereafter	33,600	-
	$ 455,292	**$ 568,017**

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

12. Related Party Transactions

The Corporation is a Territorial Crown corporation and is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business at normal trade terms.

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are as follows:

	2002	2001
Revenues		
Sales	$ 142,696	$ 141,379
Expenses		
Purchases	$ (152,349)	$ 406,599
Balances at year end		
Accounts Receivable	$ 43,569	$ 2,854
Accounts Payable	$ 166,025	$ 423,416

13. Acquisition of Subsidiary

On April 1, 2001, the Corporation purchased all outstanding common shares in Dene Fur Clouds Ltd. The total purchase price for the additional 91 shares was $1. Dene Fur Clouds Ltd. is a fur garment manufacturing company operating out of Fort Providence, NT. The results of Dene Fur Cloud Ltd. were included in the Corporations income commencing in the current year. The total net assets of Dene Fur Clouds Ltd. as at April 1 2001, were $23,413.

Northwest Territories Development Corporation

Notes to Consolidated Financial Statements

March 31, 2002

14. Segmented Information

	Acho Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co	Dene Fur Clouds	Ft. McPherson Tents	GSLFP	Musk ox Leather	Nahanni Butte General	Rae Lakes General	2002 Total
Revenues	$ 159,827	$ 69,431	$ 615,985	$ 71,151	$ 614,128	$ -	$ 116,860	$ 419,456	$ 1,001,762	**$ 2,768,600**
Net profit (loss) before subsidy	$ (88,938)	$ 30,064	$ (411,261)	$ (282,942)	$ (40,623)	$ 343,950	$ (1,615)	$ (75,987)	$ 66,718	**$ (470,534)**
Subsidy	$ 100,000	$ -	$ 300,000	$ 200,000	$ 130,000	$ 325,000	$ -	$ 75,000	$ -	**$ 1,130,000**
Profit (loss) after Subsidy	$ 1,162	$ 30,064	$ (111,261)	$ (82,942)	$ 89,377	$ 668,950	$ (1,615)	$ (987)	$ 66,718	**$ 659,466**
Deficit March 31,2002	$ (731,506)	$ (952,412)	$ (569,008)	$ (289,679)	$ (1,264,678)	$ (2,123,249)	$ (196,030)	$ (916,757)	$ (159,186)	**$ (7,202,455)**

Inter-segment sales are accounted for at prices comparable to open market prices for similar products and services

Northwest Territories Development Corporation

Schedule - Consolidated Selling and Administrative Expenses

For the year ended March 31,	2002	2001
Salaries and wages	$ 1,730,440	$ 1,571,396
Office and general	201,106	142,849
Travel	192,536	150,393
Rent	151,984	130,144
Utilities	132,038	145,222
Advertising and promotion	115,334	50,429
Board members	92,804	80,100
Bank charges and interest	80,492	108,238
Professional fees	62,998	198,203
Telephone	55,196	53,597
Bad debts	42,220	2,478
Workshops	4,590	12,405
	$ 2,861,738	**$ 2,645,454**

701, 5201-50th Ave.
YELLOWKNIFE, NT X1A 3S9

Phone: (867) 766-7700
Fax: (867) 766-7701
info@ntdevcorp.internorth.com
www.ntdevcorp.com